



**CITY OF ROCKVILLE**  
Purchasing Division  
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Rockville, Maryland 20850-2364  
Phone 240-314-8430 Fax 240-314-8439

## **ADDENDUM 2**

**DATE:** March 24, 2016

**REFERENCE:** City of Rockville  
Request for Proposal:

**RFP 22-16**  
**401(a) Thrift Plan and 457(b) Plan Bundled Deferred Compensation**

**Scheduled Submittal Deadline:** Friday, April 8, 2016 at 2:00 P.M. (EST)

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**Please note the following additions, revisions, clarifications, corrections and/or deletions have been made to the above referenced Request for Proposal (RFP):**

### **Questions & Answers**

1. Why is the City doing this search? Is there an incumbent? If so, is this due to their contract expiring, or something else? Are they able to rebid?

**The City is looking to have one provider for both plans. The incumbent for the 401(a) is Prudential Retirement and for the 457 ICMA. Both incumbents are invited to bid. Consistent with the plan objectives, the plan has chosen to offer a wide range of investment categories.**

2. I need your assistance in verifying the assets in the 457 plan. Under Section A. Purpose/Objective it shows 22.5 million as of 12/31/15. In the below attachment it shows approximately \$33 million. What number should we use to price the plan?

**Proposers should use \$21.5 million to price the 457 plan.**

3. Is it possible to waive any of the minimum requirements in order to respond to Rockville's RFP? In particular #7, #8, and #12.

**Proposers will have to meet all minimum qualifications as requested in the RFP in Section 1 D. Minimum Qualifications of Service Provider, beginning on page 12.**

4. How many participants who have an account in the 401plan also have an account in the 457 plan?

**The City hasn't counted the number of employees that have an account in both. Demographic information on the plans can be found on attachment B of the RFP. The 401(a) plan is mandatory for all benefited employees as a condition of employment, except for police officers. In order to have a 457 account, an employee has to have a 401(a) account, unless they're a police officer. The City has approximately 57 sworn police officers.**

5. Does the Prudential 401 plan currently utilize managed accounts? If so, what is the current asset total in the managed accounts program?

**No, the 401(a) does not have managed accounts.**

6. Participant Reporting – Question 8 – is the defined benefit plan information currently being provided on the 401a plan participant statement? If so, can you describe what information is reported?

**The Defined Benefit information is not currently being provided on the participant 401a participant statement. The City is interested in proposers suggesting ways to accomplish this.**

7. Are there any surrender fees, encumbrances or Market Value Adjustments on your Fixed Account?

**Please see the response provided in question no. 23(g) of this addendum.**

8. What is the number of on-site education days you like annually?

**In the past the City has tried to have quarterly meetings for groups of participants at 2 days a quarter to cover all locations and to provide for different times for participants, so approximately 8 days. We'd like to continue this but also look for additional educational opportunities that can be proposed such as one on one counseling meetings with participants. We want proposers to be creative so that what we offer is effective education to participants.**

9. Please clarify the number of active vs inactive and unique social security numbers in both plans.

**Plan demographics for each plan such as active vs inactive participants can be found in the RFP in attachment B. We don't count unique participants in each plan. The 401(a) plan is mandatory for all benefited employees as a condition of employment, except for police officers. In order to have a 457 account, an employee has to have a 401(a) account, unless they're a police officer. The City has approximately 57 sworn police officers.**

10. Please verify the assets in both plans.

**401(a) 26.5Mill and 457 21.5Mill.**

11. If there is a surrender fee, encumbrance or Market Value Adjustment would you like us to price that cost in our proposal?

**Yes. Please see the response provided in question no. 23(g) of this addendum.**

12. Please verify the number of locations.

**Two.**

13. Is there an expectation to have a dedicated resource committed to the City of Rockville?

**Dedicated in terms of readily and easily available; yes. Consistent; yes. Committed; yes. Our expectation is that the person training and providing educational services become familiar to our participants, and really understand OUR plan and the unique elements within OUR plan similarly with personnel assigned to provide backend services. We want consistency of personnel; so commitment, yes.**

14. "The proposer will be required to assist employees with the completion of enrollment forms, verify the completeness of the forms and coordinate the institution of salary deferrals and plan contributions with the city's payroll system." – Please confirm if the City still requires paper forms or if enrollment can be handled electronically?

**The City currently accepts paper forms, but is fully receptive to electronic only enrollment.**

15. As noted to bid “Proposers must have a minimum of \$3 billion under administration for public sector plans where they administer both the 401(a) and 457(b) plans for a single entity.” If our defined contribution business meets the minimums, but not specific to 401a/457, would our bid be considered?

**Yes.**

16. Regarding field service representatives what are your expectations? How many annual meetings do you typically have? Can we propose alternatives?

**Yes you may. We would like dedicated personnel in terms of readily and easily available; yes. Consistent; yes. Committed; yes. Our expectation is that the person training and providing educational services become familiar to our participants, and really understand OUR plan and the unique elements within OUR plan similarly with personnel assigned to provide backend services. We want consistency of personnel; so commitment, yes. In the past we’ve tried to have quarterly meetings for groups of participants at 2 days a quarter to cover all locations and to provide for different times for participants, so approximately 8 days. We’d like to continue this but also look for additional educational opportunities that can be proposed such as one on one counseling meetings with participants. We want proposers to be creative so that what we offer is effective education to participants.**

17. Are all assets available to transfer without any restrictions?

**Please see the response provided in question no. 23 of this addendum.**

18. Can you please confirm the number of eligible employees for each plan?

**All benefited employees are eligible for the 457 plan. All city benefited employees, other than sworn officers are eligible for the 401(a) plan. The City has approximately 520 employees including 57 sworn officers.**

19. Can you please confirm who the current providers are for each plan?

**Please see the response provided for questions no. 1 of this addendum.**

20. Please provide the number of on-site education days you are currently receiving.

**Please see the response provided for question no. 8 of this addendum.**

21. Does the City of Rockville currently offer a managed account program today? If so, how many participants are participating in the program and what is the total amount of assets invested in the program?

**ICMA**

**There is a managed account program with ICMA 457 with 6 participants. The City is unsure of the assets under management for these 6 participants.**

**There is no managed account program with Prudential 401(a).**

22. What is the current stable value/fixed account rate for each plan?

**ICMA**

**The crediting rate for the VT PLUS Fund for the month of March is 1.67%. The VT PLUS Fund crediting rate is set monthly.**

**Prudential**

**The current net crediting rate for the Principal Preservation Separate Account (PPSA) is 1.30% after the deduction of a 0.25% asset charge.**

23. Are there any contract restrictions if City of Rockville were to terminate their plans?
- a. Is there any contingent deferred sales charge (CDSC)? If so what percentage and dollar amount (or schedule)?
  - b. Are there any restrictions on the transition of the Stable Value/Fixed Account assets:
  - c. CDSC - % and/or %

**ICMA**

**ICMA-RC charges no front-end charges, back-end charges, or financial market value adjustments of any kind (aside from amortization schedules for the payment of such charges imposed by other vendors and charges for early withdrawal from bank CDs).**

**Prudential**

**There are no contingent deferred sales charges (CDSC) on any of the investment options.**

- d. Spread payout option – termination payments over a period of time (example, 5 payments over 5 years)?
- e. Market Value Adjustments contractual formula or market value payout? If so, what is the current market value adjustment % and/or \$.
- f. 12-month put or other delay distribution of book value of participant assets?
- g. Both plans will have Market Value Adjustments with the stable value products that should be priced in by the proposers.

**ICMA**

**ICMA-RC retains full discretion to release employer-initiated VT PLUS Fund withdrawals in an orderly manner over a period of up to 12 months from the date ICMA-RC receives written notification from the employer that it is initiating withdrawals from the VT PLUS Fund. This restriction on employer withdrawals from the VT PLUS Fund does not apply to participant directed withdrawals from the Fund. The VT PLUS Fund remains benefit responsive to participants eligible to take participant-directed withdrawals from the Fund.**

**If the plan sponsor changes retirement plan providers, the plan sponsor must enter into a new group variable annuity contract issued by Prudential Retirement Insurance and Annuity Company ("Prudential") to maintain the VT Retirement Income Advantage Fund's guarantees. The new contract**

is subject to regulatory filing and approval and may have significantly different terms and conditions than those applicable to the Fund. If the plan sponsor removes the Fund as an option and maps the market value of the Fund to another investment option within the plan, the guarantees will end.

### **Prudential**

The Principal Preservation Separate Account (PPSA) provides full daily liquidity to participants for benefit payments. The PPSA does not invoke equity wash rules and participants can generally transfer to and from the PPSA to all other investment options. In the unlikely event it is needed, Prudential can impose restrictions on transfers to competing fixed income funds to protect PPSA participants from individuals who try to time the market by taking advantage of changes in interest rates.

24. Please provide the current service days provided by your recordkeepers. How many group meetings and how many individual meetings were held in 2015? How many days per year would the city prefer going forward?

**Please see the response provided for questions no. 1 and no. 8 of this addendum.**

25. Please provide information on the fixed funds in the plan today for each provider. What is the current crediting rate? What are the expense ratios? Are there any termination provisions or liquidity restrictions (i.e. MVA, 12 month put, etc.)?

### **ICMA**

The crediting rate for the VT PLUS Fund for the month of March is 1.67%. The VT PLUS Fund crediting rate is set monthly.

The net expense ratio for the VT PLUS Fund is 0.83%.

### **Prudential**

The current net crediting rate for the Principal Preservation Separate Account (PPSA) is 1.30% after the deduction of a 0.25% asset charge. With respect to the future crediting rate for PPSA, rates will be announced shortly.

The expense ratio for the PPSA Fund is 0.25%.

**Also, please see the response provided in question no. 23 of this addendum.**

26. Are all assets liquid and transferrable without restriction at the 12/21/16 conversion date?

### **ICMA**

**Please refer to the response provided in question no. 23 of this addendum.**

### **Prudential**

**Please refer to the response provided in question no. 23 of this addendum.**

27. Regarding the funds with no ticker symbols, can you provide additional information about these funds? Are they collective trusts, separate accounts, etc? Please confirm these funds are daily valued, trade and settle "as of" or in a late-day environment" and the NAV would be provided to the recordkeeper by 7:00 PM ET each business day.

**ICMA**

**The VT Vantagepoint funds are Collective Investment Trusts that trade daily via the NSCC's late trading cycle. The funds currently made available to the City are proprietary funds and would not be able to be record-kept on another provider's platform.**

**Prudential**

**The funds within the line-up that do not have ticker symbols are separate account and are daily valued.**

28. Are there any trading restrictions on any of the funds?

**ICMA**

**Please refer to the response provided in questions no. 23 of this addendum.**

**Prudential**

**Please refer to the response provided in question no. 23 of this addendum.**

29. Are fund fact sheets and investment performance provided by the fund managers?

**Yes.**

30. According to the plan asset breakdown, CDs are listed, however the dollar value indicates \$0.00. Please confirm there are no assets in the CD investments.

**There are no assets in CD investments.**

31. Are your current providers subcontracting with an MFD firm today? If so, who are they using and for what services?

**The current providers are not subcontracted with MFD firms.**

32. Please provide the current service agreements with each provider.

**This information can be obtained via an MPIA request.**

33. What are the current fees for the plan today with each provider?

**This information can be obtained via an MPIA request.**

34. Please indicate if any of the revenue produced by the fund line-up is kept by the recordkeeper or returned to the plan and or the participants.

**ICMA**

**Revenue is kept by the provider as an offset to recordkeeping costs.**

**Prudential**

**Revenue produced by the fund line-up is used to pay Prudential's required revenue. Any excess revenue can be returned to the plan and or participants through an expense reimbursement account.**

35. Please provide a list of any ancillary fees that are currently being charged to the plan and or its participants. (i.e. QDRO's, financial advice, etc)

**This information can be obtained via an MPIA request.**

36. Does the plan currently have managed account programs with each provider? If so, please provide the total assets in those programs today. Also, should providers assume those assets will map to the new provider's managed account program?

**Please see the response provided in question no. 21 of this addendum.**

37. Does the plan currently utilize a self directed brokerage option? If so, please provide the company being used as well as the total assets in the program today.

**There is no self directed brokerage option.**

38. Does the City of Rockville track eligibility for new hires who elect whether to contribute 1%-5% to the 401(a) plan?

**All new benefited hires have to make an election between 1-5% on hire for the 401(a) plan.**

39. Please provide an explanation of what is considered "Longevity Pay."

**Longevity pay is additional one time compensation provided to those employees that have been with the City since before 1986. The longevity pay program doesn't exist for employees after 1986.**

40. We typically do not see restrictions imposed on participants making investment election changes, however we noticed in the 401(a) Plan Provisions it state participants can only make changes bi-weekly. Is there a specific reason for this restriction and do you intend to impose this moving forward?

**There is no specific reason for the restriction and the restriction despite being in the plan is not imposed.**

41. Are there any transfer restrictions and/or charges (deferred sales charges, market value adjustments) that will apply upon termination of the current provider's contract? If so, please describe.
- a. Do any unique transfer restrictions apply to the Guaranteed Lifetime Income option under 457(b) plan? How many participants would be impacted by any such restriction?

### **ICMA**

#### **Participant-Level Restrictions**

**While participants always have the right to transfer the market value from the VT Retirement Income Advantage Fund to other investment options available within the plan, transfers from the Fund will proportionately reduce the guaranteed values available from the Fund. Following a transfer from the Fund, participants are restricted from transferring back into the Fund for a period of 90 days.**

**If a participant leaves the retirement plan, the ability to transfer all or part of the VT Retirement IncomeAdvantage Fund's guarantees to an IRA made available by Prudential Retirement Insurance and Annuity Company may be limited. Further, the terms and conditions of the successor IRA may differ significantly from those applicable to the Fund.**

**Plan-Level Restriction**

**If the plan sponsor changes retirement plan providers, the plan sponsor must enter into a new group variable annuity contract issued by Prudential Retirement Insurance and Annuity Company ("Prudential") to maintain the VT Retirement IncomeAdvantage Fund's guarantees. The new contract is subject to regulatory filing and approval and may have significantly different terms and conditions than those applicable to the Fund. If the plan sponsor removes the Fund as an option and maps the market value of the Fund to another investment option within the plan, the guarantees will end.**

42. Does the city sponsor a defined benefit plan for which it wants data to be included on participant quarterly statements?

**Yes, if it can be. We would be interested in discussing.**

43. Related to attachment B:

a. Please confirm the number of employees eligible for the 401(a) – is it 598 or 472?

**Please see the response provided in question no. 18 of this addendum.**

b. Please confirm that all employees are eligible to join the 457(b) plan.

**Yes, all benefited employees are eligible.**

c. Please explain what is meant by “Insurance limitations” on Employee Pre-tax contributions to the 457(b) plan.

**This can be ignored for purposes of this RFP. This information cannot be provided.**

Please sign below to acknowledge receipt of addendum and return with your proposal.

Sincerely,

Jessica J. Blow, CPPB, MBA  
Director of Procurement

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Company Name

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Date